

MINUTES  
Policemen's Pension and Trust Relief Fund  
Thursday, February 14, 2008  
9:00 a.m.

On Thursday, February 14, 2008, at 9:00 a.m. a meeting of the Board of Trustees of the Policemen's Pension and Relief Fund of the City of Little Rock, Arkansas was held in the Sister Cities Conference Room at City Hall.

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| PRESENT: | Bruce Moore     | -Chairman  |
|          | Farris Hensley  | -Secretary |
|          | Brad Furlow     | -Member    |
|          | Lee Harrod      | -Member    |
|          | Mike Lowery     | -Member    |
|          | Donald McHughes | -Member    |

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| ABSENT: | Sara Lenehan | -Treasurer |
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Also present was Mr. Larry Middleton, Mr. Alex Jordan and Mr. Bo Brister of Stephens Capitol Management who are Financial Consultants for the Fund, Mr. Dean Overstreet and Mr. John Peace of Dover, Dixon Horne Law Firm who are Legal consultants for the Fund, Mr. Roger Smith who is a Government Relation Lobbyists for the Fund, Mr. Jeffrey Sangalis who is managing partner of Capital Point Partners, Mrs. Kathy Lindsey who is the Administrative Technician for the Police Pension Fund, Mrs. Sharon Phillips who is supervisor in the Pension Administrative office, Mrs. Thelma Lockhart, former wife of Mr. Andrew Lockhart who is a Retired Member of the fund, and Mrs. Andrea Lockhart who is a daughter of Mr. Lockhart.

Mr. Moore called the meeting to order at 9:00 a.m., and certified that a quorum of the Board was present.

A letter of January 22, 2008 to the Arkansas Democrat-Gazette that notified them of the meeting was included in the Board members monthly meeting packet.

Copies of the January minutes had previously been submitted to Board members. Following their review Mr. Furlow made a motion to approve them as submitted. Mr. McHughes seconded the motion and it passed unanimously.

Mr. Overstreet asked that he be recognized in order to give a brief report, and then be excused from the meeting. He reported that he had recently contacted the Probation Officer of Mrs. Eddeane Garrett who informed him that Mrs. Garrett was current on her monthly payments through January 2008. He (Mr. Overstreet) speculated that the court would probably now "pull" the previously issued warrant for her (Mrs. Garrett's) arrest. Mr. Overstreet said that hopefully Mrs. Garrett now understands the importance of promptly making her monthly payments.

Mr. Overstreet reported on the lawsuit concerning past benefit increases, and said that information previously requested by plaintiffs during the discovery process has now been submitted with the names of members omitted. He also told the Board that he is awaiting a reply from the

plaintiff's attorney in regard to certain information and documents that he had previously requested. Mr. Overstreet excused himself from the meeting at approximately 9:10 a.m.

Mr. Hensley reported concerning the actuarial analysis study from Benefit Partners Inc., and said that its completion, including a final report to the Board, had previously been scheduled to occur no later than the current February Pension Board meeting, however yet another apparent delay has occurred. He said that he has been in contact by email with Mr. Jessie Cox, with whom he (Mr. Hensley) had expressed his displeasure in regard to their numerous delays. Mr. Hensley asked that the matter be tabled until March to allow additional time for a final resolution to be reached.

Mr. Jordan, Mr. Middleton, and Mr. Brister of Stephens Capitol Management gave a January 2008 financial report, and said that on January 31, 2008 the market value of the total Fund was \$61,388,828. This represents a decrease in the account balance of (\$2,105,242) since December 31, 2007. Component of this change was income of \$433,389. There were net contributions/withdrawals of \$0. The Funds overall market rate of return for the calendar year of 2007 was 9.03%, the month of January 2008 was (3.47%), and 3.40% for the trailing twelve (12) months. On January 31, 2008, \$23,968,645.23 was allocated to DROP. Upon concluding this segment of the report, Mr. Jordan told the Board that they were closely monitoring the markets, but thought it was important to realize that the month of January 2008 was the single worst performing January in the history of the equity market during the last thirty-eight (38) year period.

Mr. Middleton told the Board that he had asked Mr. Jeffrey Sangalis, a managing partner of Capital Point Partners (CPP) to attend the meeting and provide a report in regard to their performance for the calendar year of 2007, and outlook for 2008. He (Mr. Middleton) said that approximately two and one-half percent (2.5%) of the Funds portfolio is allocated to Capital Point Partners which is a mezzanine investor providing unconventional financing to various companies that meet their specific criteria. He further explained that the Board had previously made the decision to include mezzanine financing in their portfolio because it is not directly correlated to other currently held primary asset classes.

Mr. Sangalis told the Board that with the current credit market tightening they are seeing some very good opportunities in larger transactions, and have focused on \$3,000,000 to \$30,000,000 subordinated debt investments, while maintaining a diversification strategy that is currently generating approximate income of twelve percent (12%), to fourteen percent (14%) cash interest, with a two percent (2%) average fee. Additionally, he said that the qualitative investment characteristics provide credit protections with equity participation to protect investments and drive realizations. During the calendar year of 2007, four (4) portfolio investments were closed totaling \$24,400,000 of capital deployed. The smallest investment was \$3,600,000, and the largest was \$15,000,000, with CPP providing one-half (1/2) of the funding. He said that the current year is providing an excellent mezzanine environment with the tightening credit markets, and that they currently have two (2) new investments of \$5,500,000 and \$15,000,000 underway.

Mr. Middleton told the Board that he is pleased with the CPP group, and that although he is not at this time recommending an increase in their current allocation, it may very well be a consideration for the Board in the relatively near future.

Board members discussed with Mr. Roger Smith, the Funds Government Relation Lobbyist, various issues of interest for the upcoming legislative secession. Although the issues were discussed in general terms, it was determined that a more specific approach would be taken at upcoming meetings. The issues included capturing additional funding currently allocated to the Future Police Supplement Fund which is currently going to the State general tax revenue fund, identify a portion of funding from the insurance premium tax allocation that could be used to financially assist Police Pension Funds who wish to voluntarily seek a three percent (3%) Compound Cost of Living (COLA) merge with the Local Police and Fire Retirement System (LOPFI), and capture a portion of assessed civil penalties, court costs and probation fees that would be consistent with the ten percent (10%) currently received from fines and forfeitures. The matter was then tabled until March.

There was additional discussion in regard to obtaining a comprehensive report detailing all probation fees, court costs and civil penalties assessed by the Little Rock Court systems. Such a report would be needed to make informed decisions in relation to the legislative process. Additionally, Mr. Smith asked Mr. Peace to research the State Statute in regard to fines and forfeitures and provide a report to the Board. Mr. Moore provided the Board with a report detailing the amount of imposed court fines, however it did not appear to identify probation fees, court costs or civil penalties.

In the absence of Mrs. Lenehan, Mrs. Phillips submitted copies of the un-audited balance sheet report year-to-date through December 31, 2007, and year-to-date through January 31, 2008. The January 2008 report indicated that on January 31, 2008, the total account fund balance was approximately \$62,947,263.93, of which \$23,968,645.23 was allocated to DROP.

Also submitted were copies of the January 2008 expense and legal fee report. Total expenditures excluding benefit related expenses, were \$7,933.83 for the month of January, and \$7,933.83 calendar year through January 31, 2008. Legal fee expenditures paid during the month of January 2008 totaled \$5,678.50.

Following review of the December 2007 and January 2008 un-audited balance sheet reports, and January 2008 expense and legal fee report, Mr. Hensley made a motion to approve the reports as submitted. Mr. Harrod seconded the motion and it passed unanimously.

Mr. Harrod questioned reported investment earnings appearing on the un-audited balance sheet report for the calendar year of 2006. Following discussion the matter was tabled until March for a clarification to be made concerning the report.

Mr. Hensley told the Board that he had previously discussed with Police Pension administrative personnel the need to develop a check list process for members who are retiring or changing their status and would potentially affect the monthly benefit paid. Both Mrs. Phillips and Mrs. Lindsey discussed with the Board a "Pension Calculation Check Sheet", and "Dependent/Spouse Check Sheet" that they had previously submitted for review, and would accompany all future applications being submitted to the Board for approval. Following a review of the check sheets, Board members were very pleased with the process, and agreed that it should eliminate future errors, and provide Board members with the specific calculations that were made.

Mr. Hensley made a motion to approve the retirement application of Mr. Larry Gillin effective February 1, 2008 in the monthly amount of \$2,229.65. Also, to remove Mr. Jim Harris who passed away on January 15, 2008 from the pension rolls, and to approve the widow application of Mrs.

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Marilyn Harris effective February 1, 2008 in the monthly amount of \$1,837.80, and a \$6,500.00 death benefit. Mr. Furlow seconded the motion and it passed unanimously. The Board extended their condolences to the family of Mr. Harris.

Mr. Hensley informed the Board that his administrative assistant, Mrs. Amber Johnson will be resigning effective April 1, 2008 due to other personal commitments. He (Mr. Hensley) said that he is considering various options, and will make a recommendation to the Board at the March meeting.

Mr. Harrod told the Board that during the middle of 2007, personnel in the City of Little Rock Human Resource Department contacted him in regard to errors that had been made, which involved their failure to deduct enough dental insurance premiums from the benefit checks of some retired City employees. During the discussion at that time, he explained it was his understanding that often when errors are made by City personnel, and adversely affects City employees; the cost is absorbed by the City, and not passed on to the City employee. However, Mr. Harrod said that he was again recently contacted by Mr. Bradshaw of the Human Resource Department concerning the matter.

Mr. Moore responded, and said that no final decision had been made, and that he is currently awaiting additional information from Mr. Bradshaw. The matter was tabled until March.

Upon conclusion of Pension Board business, Mr. Hensley made a motion to adjourn the meeting. The motion was seconded by Mr. Furlow and passed unanimously. The meeting adjourned at approximately 11:02 a.m.

Respectfully submitted,

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Farris Hensley, Secretary